Revitalisation of co-operative credit structure

485. SHRI LEKHRAJ BACHANI:
PROF. ALKA BALRAM KSHATRIYA:

Will the Minister of FINANCE be pleased to state:

(a) whether Government appreciate that revitalization of the co-operative credit structure and making finance available to the farmers at reasonable rate of interest is critical for the development of the farm sector;

(b) if so, what steps have been taken by the Central Government on the representation received in regard to co-operative credit structure by the Government of Gujarat; and

(c) the likely date by which a decision will be taken?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) to (c) With a view to strengthening the cooperative banking system, the Government of India, has appointed Task Force on 05.08.2004 under the chairmanship of Prof. A. Vaidyanathan to recommend an implementable action plan for reviving the rural cooperative banking institutions taking into consideration *inter-alia* the main recommendations made by various Committees in this regard. Various representations received from State Governments including the Government of Gujarat for revitalization assistance will be decided on receipt of the report of the Task Force.

In the meantime, NABARD has been urging the Co-operative Banks to review the present structure of interest rates keeping in view of the margins required at each level for viable operations. Besides, in tune with the declining interest regime, NABARD has been reducing its rate of interest on refinancing from time to time.

Cluster based approach for lending to small scale industries

486. SHRI RAVI SHANKAR PRASAD:
SHRI B.J. PANDA:

Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that RBI has asked the banks to adopt a cluster-based approach for lending to small and middle industries while exploring new instruments to promote rural industry;

(b) if so, the details of these directives so issued; and

(c) how far this would help to boost development of SSI sector especially in areas which are often frequented by floods, drought and hilly terrain etc.?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) Yes, Sir. The Reserve Bank of India (RBI) has forwarded the details of the 60 clusters so identified all over India by the Ministry of Small Scale Industries to the SLBC Convenor banks to constitute a special group of bankers and State Government Officials to resolve various issues arising on financing the clusters and report the developments to SLBC. RBI has also advised its Regional Offices to ensure that the issue on financing of the identified clusters is taken up at the SLBC meetings.

(b) RBI has issued instructions to all banks on some of the recommendations of the Ganguly Committee *vide* circular dated 4th September, 2004. The instructions for the banks briefly stated are as under:

(i) Besides the 60 clusters identified by the Ministry of Small Scale Industries for focused development of SSIs, banks may identify new clusters and also adopt cluster based approach for financing.

(ii) Lead Banks may consider sponsoring specific projects as well as widely publicize the successful working models of NGOs operating in South India and some other states which service small, tiny and individual entrepreneurs.

(iii) Banks operating in the North East region may consider sanctioning higher working capital limits to SSIs, based on their commercial judgement due to the peculiar situation of hilly terrain and frequent flood causing hindrance in the transportation system.

(iv) Banks may consider exploring new instruments for promoting rural industry and to improve the flow of credit to rural artisans, industries and rural entrepreneurs.

(c) The precise details in regard to provision of credit assistance will depend on the requirements of the situation. Since clusters are identified, it will be easier for the banks to assess the loss sustained, identify the beneficiaries and rehabilitate the units. Coverage by the branches to the eligible borrowers within its command area will be faster, enabling the banks to provide urgently term loans for repairs and working capital for purchase of raw materials. Overall guidelines issued by RBI to be adhered

to by banks in providing relief and rehabilitation assistance to the borrowers affected by natural calamities such as floods, droughts, cyclones, etc. can be effectively implemented in the clusters identified.

Introduction of polymer currency

487. SHRI VIJAY J. DARDA: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that Government are considering to introduce polymer currency instead of paper;

(b) if so, whether any proposal to this effect has been received from any foreign country; and

(c) what is the progress towards introduction of polymer currency as it will last much longer than paper currency?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) to (c) The Government of India had set up a Committee of Experts in October, 1999 to examine printing of Indian bank notes on polymer substrate. Based on results of the printing trials and laboratory tests, the Committeee as well as the RBI had found the proposal unsuitable.

However, proposals for use of various raw materials for use in currency notes are received from the intending suppliers from time to time. Exploration of alternatives for increasing circulation life of currency notes is a continuous process.

World Bank Assistance to U.P.

†488. PROF. M.M. AGARWAL: Will the Minister of FINANCE be pleased to state:

(a) the details of projects initiated with the assistance of World Bank and Asian Development Bank in the State of Uttar Pradesh;

(b) the details of amount provided as grant by the above banks, project-wise; and

(c) the details of works carried out so far in Uttar Pradesh with the assistance provided by above banks, project-wise and region-wise?

†Original notice of the question was received in Hindi.